



Cook Islands Government

Preliminary Outcome for 2014/15

Quarterly Financial Report for June 2015

Prepared by the Ministry of Finance and Economic Management
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Introduction

The statements contained in this report have been prepared on an accruals basis as far as practical and outline income and expenses incurred by the Crown in the 12 months to 30 June 2015 which have been committed to or accrued, but may have not been necessarily received or paid.

Key Points

The estimated net operating balance of the General Government Sector for 2014/15 was a surplus of \$6.1 million.

- Operating revenue was \$128.2 million; and
- Operating expenditure was \$122.1 million.

The estimated overall fiscal balance for 2014/15 was a deficit of \$5.077 million. This figure excludes the effects of depreciation and incorporates capital expenditure.

Table 1 - Net Operating Balance General Government – 2014/15

2013/14 Actual ('000)		2014/15 Budget ('000)	2014/15 Actual ('000)	Variance ('000)	%
117,576	Operating Revenue	123,203	128,213	5,011	4
113,375	Operating Expenditure	123,194	122,074	1,120	1
4,201	Net Operating Balance	9	6,139	6,130	N/A

Table 2 - Fiscal Balance of General Government – 2014/15

2013/14 Actual ('000)		2014/15 Budget ('000)	2014/15 Actual ('000)	Variance ('000)	%
4,201	Net Operating Balance	9	6,139	6,130	N/A
547	Add Crown Depreciation	2,920	2,920	0	-
1,956	Add Ministry Depreciation	2,365	2,110	(255)	(11)
1,038	Add Pa Enea Depreciation	1,367	1,107	(260)	(19)
10,804	Less Capital Expenditure	21,782	17,354	4,427	20
(3,062)	Fiscal Balance	(15,120)	(5,077)	10,043	(66)

Total revenue collections in 2014/15 were higher than the original Budget estimate. This was mainly attributable to higher than estimated revenue from fishing licences and fines during the year.

Total operating expenses for 2014/15 were lower than the original Budget estimate. This was mainly attributable to lower levels of spending by agencies, savings in the underwrite of air services to Rarotonga from Los Angeles and Sydney, and lower guaranteed profit payments to Toa. These savings were partially offset by higher authorised spending on the Constitutional celebrations. This spending increase was authorised through Orders in Executive Council. Total capital expenditure and investment in 2014/15 was lower than the original budget estimate by \$4.427 million due to delays in the tendering processes of some larger projects, particularly Te Mato Vai Stage 2.

Total expenditure, inclusive of reported development partner assistance in 2014/15 was estimated to be \$181.587 million compared to the approved appropriation of \$224.383 million. The main variances were in capital expenditure and development partner projects and activities. Table 3 below compares the Appropriation Bill 2014 with actual expenditure.

Table 3 - Reconciliation of Appropriation by Category of Payment

Category of Payment	2014/15	2014/15	Variance	
	Budget ('000)	Actual ('000)	('000)	%
Schedule 1 - Ministry Outputs (Gross), POBOCs and Capital Expenditure	115,518	110,748	4,770	4
Schedule 2 - Benefits and other Unrequited Expenses	16,721	16,088	633	4
Schedule 3 - Borrowing Expenses and Debt Repayment	5,425	5,398	27	0
Schedule 4 - Other Expenses	86,719	49,352	37,367	43
Total Appropriations	224,383	181,587	42,796	51

Summary of the Financial Position of the General Government

The net operating surplus of the General Government Sector for 2014/15 was \$6.139 million, which represents a favourable variation of \$6.130 million on the estimated net operating balance presented in the 2014/15 Budget estimates. Overall, revenue was \$5.011 million higher than the 2014/15 Budget estimates and operating expenditure was lower by \$1.120 million than the 2014/15 Budget estimates.

Table 4 - Net Operating Balance 2014/15ⁱ

2013/14 Actual ('000)		2014/15 Budget ('000)	2014/15 Actual ('000)	Variance ('000)
<u>Operating Revenue</u>				
97,174	Taxation Revenue	103,095	100,848	(2,247)
10,090	Other Crown Receipts	9,943	16,397	6,454
6,357	Trading Revenue	5,517	6,261	744
707	Interest on Loans to Subsidiaries	684	976	292
1,150	Dividends	2,115	1,999	(116)
2,098	Interest on Funds	1,848	1,732	(116)
117,576	Total Operating Revenue	123,203	128,213	5,011
<u>Operating Expenditure</u>				
63,805	Ministry/ Pa Enea Expenditure	65,075	65,029	46
40,843	Payments on Behalf of the Crown	45,455	44,526	929
2,048	Airport Authority	2,048	2,048	0
146	Bank of Cook Islands	181	115	66
249	Te Aponga Uira	350	244	106
555	Ports Authority	-	-	0
1,441	Debt Service Interest	2,137	2,168	(31)
1,800	Asset Management	1,800	1,800	0
2,156	Crown Infrastructure Depreciation	2,921	2,920	0
23	ADB Share Capital	27	26	1
-	Depreciation Contingency Fund	3,100	3,100	0
309	Contingency Funds - Operating	100	97	3
113,375	Total Operating Expenditure	123,194	122,074	1,120
4,201	Net Operating Balance	9	6,139	6,130

Key Balance Sheet Items in General Government:

Cash and Equivalents	49,551
Committed Cash	(34,741)
Net Cash Reserve	14,810
Gross General Government Borrowings	102,112
Net General Government Borrowings	59,338

The gross borrowings of the Crown were \$102.1 million. Net borrowings of the General Government Sector (excluding loan reserves and borrowings by SOEs) were \$59.3 million. The net cash reserve which is essentially unencumbered, decreased by \$4.6 million since March 2015 quarter to a total of \$14.8 million.

Changes to Expenditure Authority

Section 70 (3) (b) (i) of the Cook Islands Constitution allows for expenditure to exceed the appropriation provided that the total amount of all sums issued and paidⁱⁱ shall not exceed one and one-half percent (1 ½ per cent) of the total amount of all sums appropriated by the Appropriation Act or Acts for that year.

Orders in Executive Council were passed in March, April, May and June 2015 altering the authority to spend during 2015/16.

The total appropriation for 2014/15 was \$224.383 million, Section 70 [3] [b] [i] provides that the total amount of all sums issued and paid should not exceed \$227.749 million (which is equivalent to 101.5 per cent of the original total appropriation for 2014/15). The final actual amount paid (on an accrual basis) is estimated to be \$181.587 million.

Excluding the impact of development partner assistance of \$63.693 million which was budgeted and the actual expenditure of \$39.002 million, then the corresponding amounts would have resulted in an original budget of \$160.970 million against actual expenditure of \$142.585 million, well within the constitutional limits outlined in Section 70 [3] [b] [i].

During 2014/15 net additional authority issued for operating expenditure was \$2.661 million through Orders in Executive Council. The gross increased authority for operating expenditure issued was for \$4.533 million and included:

- \$0.200 million for increased expenditure in agency outputs;
- \$0.300 million for the Natural Disaster Response Fund; and
- \$4.033 million for payments made on behalf of the Crown.

This increase was offset by reductions in the authority to spend of \$1.872 million, made up of:

- \$1.600 million for the underwrite of the Sydney and Los Angeles routes (these were partial savings at the time, the final underwrite saving was \$2.586 million); and
- \$0.272 million for travel expenditure associated with Te Maeva Nui at the Ministry of Culture.

The net authority issued of \$2.661 million is equivalent to around 1.2 per cent of the total original appropriation.

Additional authority was also provided for spending of \$2.939 million for various capital projects and these were offset by savings in other capital projects.

Table 5 provides a full listing of the changes made to the operating expenditure authority of the 2014/15 budget which excludes capital.

Agencies who earn trading revenue over and above what was estimated at the time of the Budget are able to increase their appropriation with approval of the Financial Secretary, this includes an additional \$0.449 million which was provided to

- Cook Islands Tourism – for increased revenues associated with trade events;
- Ministry of Finance and Economic Management – for increased provision of border control services; and
- Infrastructure Cook Islands – for increased provision of services.

Table 5 - Changes to the Budget Authority approved by Order in Executive Council (\$'000)ⁱⁱⁱ

Administering Agency	Reason	Issued
Seabed Mining Authority	Coverage of salary for the SMA advisor.	0.025
Finance and Economic Management	Preparation of report on Banking Payments	0.050
Office of Prime Minister	Costs associated with setting up a temporary structure at Auditorium	0.025
Foreign Affairs and Immigration	50th Celebrations in New Zealand	0.030
Crown	Increase in Contingency Reserve to cover unforeseen	0.090
Office of the Public Service Commissioner	HOMS Leave Accrual	0.070
Finance and Economic Management	Reduced authority on realised savings of the underwrite *	(1.600)
Internal Affairs	Team Cook Islands Airfares - Pacific Games 2015 *	0.235
National Parliament	Ui Ariki Day celebrations *	0.050
Ministry of Culture	Reduced authority on travel expenditure associated with Te Maeva Nui Travel *	(0.272)
National Parliament	Increased expenditure on Civil List entitlements for MP's and the QR	0.320
Education	Operational Support for Apii Nikao	0.025
National Environment Service	E Waste Collection	0.050
Finance and Economic Management	Circulating currency production *	1.010
Office of the Prime Minister	Te Maeva Nui Travel *	1.300
Cook Islands Investment Corporation	Hosting visitors for 50 th Celebrations at Schools on Rarotonga *	0.485
Cook Islands Investment Corporation	Increased costs associated with provision of physical security at schools in Rarotonga	0.285
Internal Affairs	Social Impact Funding approved from 2013/14	0.143
Finance and Economic Management	Additional deposit into the Natural Disaster Response Fund	0.300
Cook Islands Investment Corporation	Seabed Mining Venture	0.040
Payments on Behalf of the Crown - modified authority to spend 2014/15 and Actual Expenditure		2.661

General Government Revenue Analysis

General Government Sector revenue for 2014/15 was higher than the Budget estimate by \$5.011 million. This was mainly attributed to higher than expected fishing licence and fine revenue offsetting lower general tax revenue.

Table 6 - General Government Revenue Summary – 2014/15

2013-14 Actual ('000)		2014/15 Budget ('000)	2014/15 Actual ('000)	Variance ('000)	%
42,365	Value-added Tax	49,973	48,079	(1,894)	(4)
22,442	Income Tax	20,664	19,836	(828)	(4)
11,781	Company Tax	12,309	11,740	(569)	(5)
11,999	Import Levies	12,419	10,409	(2,009)	(16)
966	Withholding Tax	-	2,223	2,223	100
7,621	Departure Tax	7,731	8,561	830	11
2,868	Trading Revenue	5,517	6,261	744	13
14,045	Other Revenue	14,590	21,104	6,514	45
114,087	Total Revenue	123,203	128,213	5,011	4

Value Added Tax

Actual VAT revenue collected in 2014/15 was \$1.894 million below the 2014/15 Budget estimate (-4 per cent) but above the amount collected in 2013/14. The full year impact of the VAT rate increase to 15 per cent and steady economic activity did not contribute as significantly as initially estimated. A major factor has been the static demand for energy generated by Te Aponga Uira which is believed to be the result of increased demand being met through localised renewable energy production.

Additionally VAT revenue collections were impacted by VAT refunds on significant capital purchases by Te Aponga where on new generation equipment. The latter is not expected to be an ongoing trend.

Income Tax

Actual income tax revenue collected in 2014/15 was below 2014/15 Budget estimate by \$0.828 million (-4 per cent).

Company Tax

Actual company tax collected in 2014/15 was \$0.569 million below the 2014/15 Budget estimate (-5 per cent). This is mainly attributable to lower profitability in the domestic banking sector as the banks actually wrote off a number of long standing non-performing loans. Non-performing loans in the financial sector have been reduced significantly and this is not anticipated to be an ongoing feature.

Import Levies

Actual import levies collected in 2014/15 were \$2.009 million below the 2014/15 Budget estimate (-16 per cent). This is mainly attributable to the continued practice of wholesalers pre-purchasing tobacco products to avoid increased excises aimed at reducing NCD's. Additionally the new online customs process introduced in the final quarter of the year may have also contributed to the drop by enabling a higher proportion of imports to be managed through deferred tax. This approach creates a deferral of approximately 1-2 months in import levies received by the Crown.

Withholding Tax

Actual withholding tax collections were \$2.223 million above the 2014/15 Budget estimate. This relates to withholding taxes collected mostly on dividends and royalties paid overseas. No estimate is made for these payments at budget time as they are difficult to predict.

Departure Tax

Departure tax collections were \$0.830 million above the 2014/15 Budget estimate (11 per cent). While the numbers of visitor arrivals during 2014/15 has been close to expectations, the increase is attributable to a greater proportion of tourists being required to pay departure tax (persons 12 years of age and above) than anticipated at the time of the Budget.

Trading Revenue

Trading revenue is earned by agencies of the Crown for the provision of goods and services such as border control services, fees for waste disposal and various types of permits etc. Further analysis is provided in Appropriation Analysis Section.

Other Crown Revenue

Other Crown Revenue was \$6.514 million above the 2014/15 Budget estimate (45 per cent). This is predominantly due to the increased collection of both fishing licence fees (230 per cent) and fishing fines revenue (100 per cent). There have been sales of unutilised quota from within the total allowable catch limit (TACs), total fishing revenue in 2014/15 exceeded \$12 million, well in excess of the \$6.1 million estimated at the time of the Budget.

Table 7 - General Government Other Revenue Summary – 2014/15

2013/14 Actual		2014/15 Budget	2014/15 Actual	Variance	
('000)		('000)	('000)	('000)	%
303	FSDA Levies	276	344	68	25
-	Vested Assets-FSC	0	556	556	0
662	Immigration Fees	587	652	65	11
66	IMO Subscription - Maritime CI	63	0	(63)	(100)
51	Court Services	50	50	0	0
34	Instant Fines	65	24	(41)	(63)
2,049	Fishing Licences	2,440	8,064	5,624	230
2,877	Fisheries Catch Rev	1,700	1,777	77	5
577	Fisheries US Treaties	780	1,046	266	34
-	Fishing Fines	1,225	1,225	(0)	(0)
1	Research Fees	1	2	1	100
15	Permits	56	16	(40)	(71)
10	Banana Court -Dividends	10	10	-	0
429	BCI -Dividends	557	279	-278	(50)
875	Te Aponga - Dividends	338	300	-38	(11)
20	Extraordinary SOE-Dividends	60	60	-	0
1,150	Telecom-Dividends	1,150	1,350	200	17
274	Numismatic Revenue	500	298	(202)	(40)
447	Drivers Licenses	350	125	(225)	(64)
382	Motor Vehicle Registrations	775	1,032	257	33
2,098	Interest on balances	1,848	1,732	(116)	(6)
707	Interest on loans to subsidiaries	684	976	292	43
28	Foreign Investment Fees	20	27	7	34
460	Upper Air Management Agreement	498	764	266	53
56	Shipping Reg/Licenses	130	77	(53)	(41)
10	Intl Shipping Licenses	15	15	-	0
31	Liquor Licensing	26	28	2	8
142	Tattslotto Grants	143	130	(13)	(9)
6	Censorship Fees	12	5	(7)	(58)
264	Circulating Currency- Coins	205	137	(68)	(33)
14	Employers Liability	20	-	(20)	(100)
7	Motor Vehicle Dealers	5	3	-	0
14,045		14,590	21,104	6,514	45

Figure 1 - General Government Revenue June 2013/14 Actual and June 2014/15 Budgets and Actual (\$000)

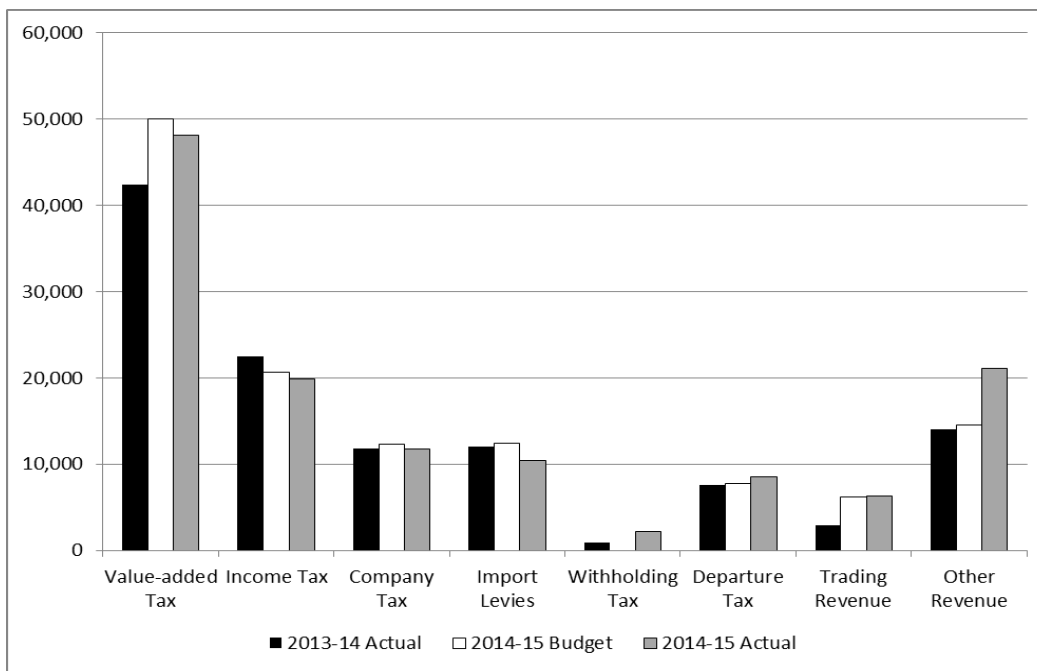


Figure 2 - Net Operating Revenue Trends

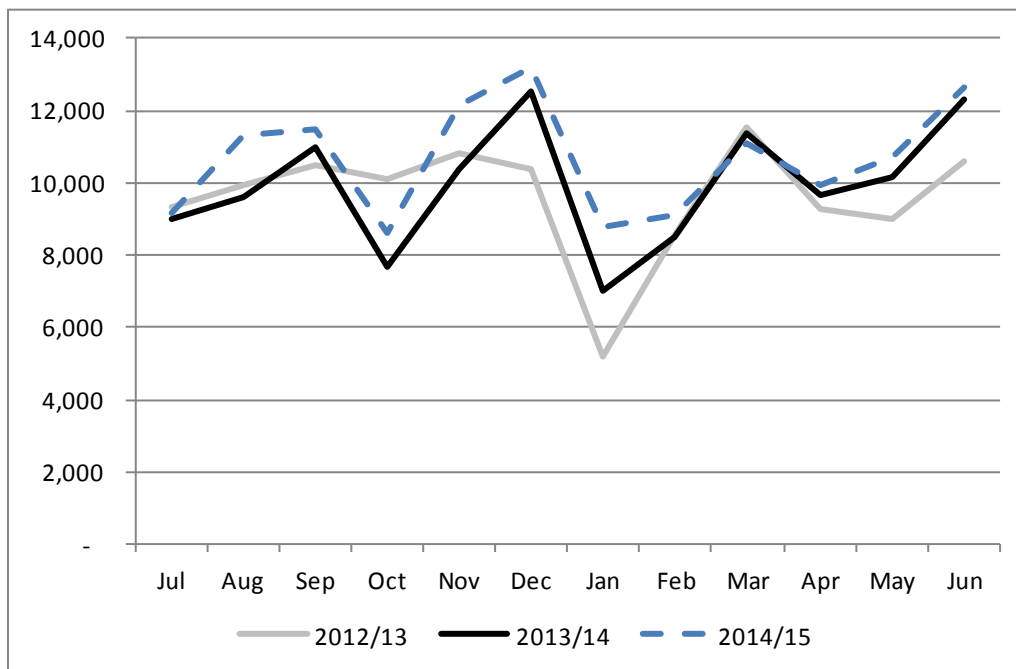


Figure 2 demonstrates the revenue trends over three financial years. The impact of seasonality in tourism numbers with peaks during the southern hemisphere winter is reflected in the September collections. Whereas, company provisional tax due dates in June and December which apply for the majority of Cook Islands private sector businesses impact on collections for those months.

General Government Expenditure Analysis

Payments on Behalf of Crown (POBOCs)

Table 8 - Payments on Behalf of Crown – 2014/15

2013/14 Actual ('000)	Administering Agency	POBOC	Budget (000)	Actuals (000)	Variance (000)	%
Compensation of Employees						
71	Cook Islands Investment Corporation	Infrastructure Committee	75	75	0	0
178	Finance and Economic Management	Parliamentary Superannuation	180	124	56	31
82	Finance and Economic Management	National Heritage Trust	82	82	0	0
33	Audit	PERC Salaries and Administration Costs	43	23	19	46
31	Internal Affairs	Price Tribunal	30	24	6	20
176	Justice	Judges Allowances	177	177	-	-
1,821	Parliamentary Services	Civil List - Personnel	1,845	2,012	(168)	(9)
168	Parliamentary Services	House of Ariki	176	146	30	17
1,126	Public Service Commission	HOMs Salaries	-	-	-	-
56	Transport	Director of Civil Aviation	56	56	0	0
3,740			2,664	2,721	(57)	(2)
Use of Goods and Services						
96	Audit	Audit Fees	96	96	-	-
30	Crown Law	Operation Eagle Defendants	-	-	-	-
195	Cultural Development	Te Maeva Nui Constitution Celebrations	723	450	272	38
760	Education	Tertiary Training Institutions	760	760	0	0
30	Finance and Economic Management	Audit of Crown Accounts	30	30	1	0
298	Finance and Economic Management	National Superannuation Fund	283	283	0	0
39	Finance and Economic Management	Standard and Poors Subscription	40	45	(5)	(13)
-	Justice	General Elections, Petitions and By-Elections	50	39	11	22
55	Head Of State	Domestic Hosting Entertainment	15	15	0	0
667	Health	Pharmaceuticals	668	667	0	0
100	Infrastructure and Planning	OI Unanticipated Breakdowns	100	99	1	1
400	Infrastructure and Planning	Waste Management	545	534	11	2
72	Internal Affairs	Lease extension	72	72	-	-
398	Internal Affairs	Vaka Maintenance	400	390	10	2
529	Parliamentary Services	Civil List - Operating Expenses	529	663	(133)	(25)

2013/14			Budget	Actuals	Variance	
Actual	Administering Agency	POBOC	(000)	(000)	(000)	%
('000)						
35	Parliamentary Services	PPAPD - FDOC Secretariat	35	34	1	2
185	Prime Minister's Office	Social Responsibility Fund	195	195	0	0
-	Prime Minister's Office	Self Government Golden Anniversary	250	250	0	0
-	Prime Minister's Office	Local Government Elections	35	0	35	100
-	Parliamentary Services	Ui Ariki Day		35	(35)	
3	Police	Search and Rescue	29	24	5	18
60	Police	Serious Crime Investigations	88	57	31	35
140	Police	Te Kukupa - Fuel Contribution	94	85	8	9
2,000	Tourism Corporation	Marketing Resources - Tourism Growth Strategy	2,250	2,250	0	0
5	Prime Minister's Office	Returned Services Association	5	5	-	-
40	Prime Minister's Office	Cook Islands Marine Park	40	5	35	89
-	Prime Minister's Office	Community Development Fund	100	102	(2)	(2)
57	Foreign Affairs	IMO - Maritime Cook Islands	63	63	-	-
6,194			7,494	7,249	245	-
	Subsidies					
180	Education	University of the South Pacific Contribution	285	137	148	52
11,102	Finance and Economic Management	Air New Zealand - Subsidies	12,350	9,764	2,586	21
1,294	Finance and Economic Management	Apex - Profit Guarantee	1,500	1,325	175	12
35	Finance and Economic Management	FSC - subsidy to meet depreciation expenses	35	35	0	0
40	Finance and Economic Management	Subsidy of audio/visual broadcasting in Pa Enuu	45	40	5	12
12,651			14,215	11,300	2,915	21
262	Education	Government Funded Scholarships	280	273	7	2
610	Health	Patient Referrals	550	550	-	-
144	Health	Nursing School	187	187	-	-
195	Health	NCD Fund	195	195	-	-
14,430	Internal Affairs	Welfare Payments	16,541	15,964	577	3
0	Justice	Legal Aid	40	2	38	95
15,641			17,793	17,171	622	101
	Other Expense					
1,983	Education	Private School Funding	1,983	1,983	(0)	(0)
121	Finance and Economic Management	Pacific Catastrophic Risk Insurance	121	68	53	44
477	Foreign Affairs	International Subscriptions	546	481	65	12
200	Marine Resources	Establishment of Fisheries Development Facility	200	200	-	-
340	CI Seabed Minerals Authority	Establishment of Seabed Minerals Authority	-	-	-	-
42	Internal Affairs	CISNOC Grant	220	152	68	31

2013/14			Budget	Actuals	Variance	
Actual	Administering Agency	POBOC	(000)	(000)	(000)	%
100	Internal Affairs	CISNOC Support	-	-	-	-
77	Internal Affairs	NGO and Welfare Organisations	221	357	(136)	(62)
30	Internal Affairs	Gender Regional Triennial Meeting	-	-	-	-
30	Internal Affairs	Team CI Pacific Games in PNG	-	235	-	-
65	Police	PICP	-	-	-	-
20	Education	Education Ministers Forum	-	-	-	-
51	MOIP	SOPAC Conference 2013	-	-	-	-
96	MOIP	PWWA conference 2013	-	-	-	-
-	Prime Minister's Office	Temporary Structure Auditorium		501	(501)	-
-	Cook Islands Investment Corporation	Hosting TMV Participants School		281	(281)	-
-	Cook Islands Investment Corporation	Public Schools Security-Rarotonga		285	(285)	-
-	Prime Minister's Office	Te Maeva Nui Transport Costs		969	(969)	-
-	Cook Islands Investment Corporation	CIIC-Deep sea mining		40	(40)	-
-	Finance and Economic Management	Circulating Currency		1,034	(1,034)	-
3,632			3,290	6,085	(2,795)	(85)
41,859	Grand Total		45,455	44,526	930	2

The overall savings on payments made on behalf of the Crown (POBOC) (2 per cent) are attributable to savings in the underwrite (\$2.586 million) of the Sydney and Los Angeles routes, as well as the Toa Apex Guarantee. These savings were mainly offset by increases in expenditure arising from the 50th anniversary of independence celebrations.

Table 9 - Welfare Payments –2014/15

2013/14 Actual ('000)		2014/15 Budget ('000)	2014/15 Actual ('000)	Variance	
				('000)	%
	<i>Legislated Payments</i>				
2,651	Child Benefit	2,673	2,767	(94)	(4)
235	New Born Allowance	310	235	75	24
9,982	Old Age Pension	11,809	11,444	365	3
424	Destitute and Infirm Persons Payment	396	414	(18)	(4)
81	Maternity Leave	144	95	49	34
	<i>Non-legislated Welfare Payments</i>				
260	Caregiver's Allowance	347	277	70	20
280	Christmas Bonus	300	276	24	0
217	Funeral Allowance	170	156	14	0
76	Power Subsidy	86	73	14	16
98	Special Assistance	100	80	20	20
128	BCI Transaction Fee	147	149	(2)	(1)
14,432	Total Welfare Payments	16,482	15,964	518	3

Appropriation Analysis

Table 10 - Ministries, Agencies and Ministerial Office Appropriation Analysis – 2014/15

Actual 2013/14 ('000)		Budget 2014/15 ('000)	Actual 2014/15 ('000)	Variance ('000)	%
38,137	Personnel	40,177	40,404	(227)	(1)
14,364	Operating	11,200	11,751	(551)	(5)
1,956	Depreciation	2,365	2,110	255	11
54,457	Gross Appropriation	53,742	54,265	-523	(1)
5,061	Trading Revenue	2,507	3,103	596	24
49,396	Net Appropriation	51,235	51,162	73	0

Personnel

Personnel expenditure in agencies for 2014/15 was \$0.227 million lower than budget estimates (1 per cent).

Operating

Operating expenditure for 2014/15 year was higher than budget estimates \$0.551 million (5 per cent), due mainly to additional operating expenditure authorised through various Orders in Executive Council throughout the year. In total this amounted to \$0.2 million.

Depreciation

Depreciation for 2014/15 was below the budget estimate by \$0.255 million (11 per cent). Depreciation, while appropriated in the Budget is not provided to agencies.

Trading Revenue

Overall trading revenue for 2014/15 was \$0.596 million (24 per cent) lower than budget estimates. Agencies who earn trading revenue over and above the estimates at the time of the Budget are able to increase their appropriation with approval from the Financial Secretary in 2014/15. This included an additional \$0.449 million which was provided to:

- Cook Islands Tourism – for increased revenues associated with trade events;
- Ministry of Finance and Economic Management – for increased provision of border control services; and
- Infrastructure Cook Islands – for increased provision of services.

Table 11 - Pa Enua (Outer Islands) Appropriation Analysis – 2014/15

2013/14 Actual ('000)		Budget ('000)	Actual ('000)	Variance ('000)	%
5,860	Personnel	6,108	5,929	179	3
2,450	Operating	3,859	3,728	131	3
1,038	Depreciation	1,367	1,107	260	19
9,348	Gross Appropriation	11,334	10,764	570	5
1,296	Trading Revenue	3,011	3,158	147	5
8,052	Net Appropriation	8,323	7,606	717	9

Personnel

Personnel expenditure for 2014/15 was \$0.179 million lower than budget (3 per cent).

Operating

Operating expenditure for 2014/15 year was \$0.131 million lower than budget (3 per cent), expenditure on fuel and freight continue to be major operating costs for most islands.

Depreciation

Depreciation expenditure was \$0.260 million lower than budget (19 per cent). Savings are a result of the use of inaccurate and incomplete fixed asset registers of Island administrations to establish budget estimates. Depreciation whilst appropriated in the Budget is not provided to Island Councils.

Trading Revenue

Trading revenue for the June 2015 year was \$0.147 million higher than budget (5 per cent). The increased revenue can be credited to an increase in energy related activities, shore excursion fees charged to cruise ships visiting islands and increased plant hire.

Other General Government Operating Expenditure

Table 12 - Other General Government Operating Expenditure

2013/14 Actual ('000)		2014/15 Budget ('000)	2014/15 Actual ('000)	Variance ('000)	%
2,048	Airport Authority	2,048	2,048	-	-
146	Bank of Cook Islands	181	115	66	36
249	Te Aponga Uira	350	244	106	30
1,800	Asset Management	1,800	1,800	0	0
1,441	Debt Servicing Interest	2,137	2,168	(31)	(1)
309	Contingency Funds - Operating	100	97	3	3
2,156	Crown Infrastructure Depreciation	2,920	2,920	(0)	(0)
-	Depreciation Contingency Reserve	3,100	3,100	0	0
23	ADB Share Capital	27	26	1	2
8,172	Total Other Operating	12,663	12,519	144	1

Other operating costs for the General Government sector were below the 2014/15 Budget. The most significant variation contributing to this was the reduced social responsibility costs related to the provision of street lighting by Te Aponga Uira costs. The variance in the Bank of Cook Islands is attributable to a change in the formula for calculation of the social obligation costs for operating non profitable branches in the outer Islands.

Figure 3 - Net Operating Expenditure Trends

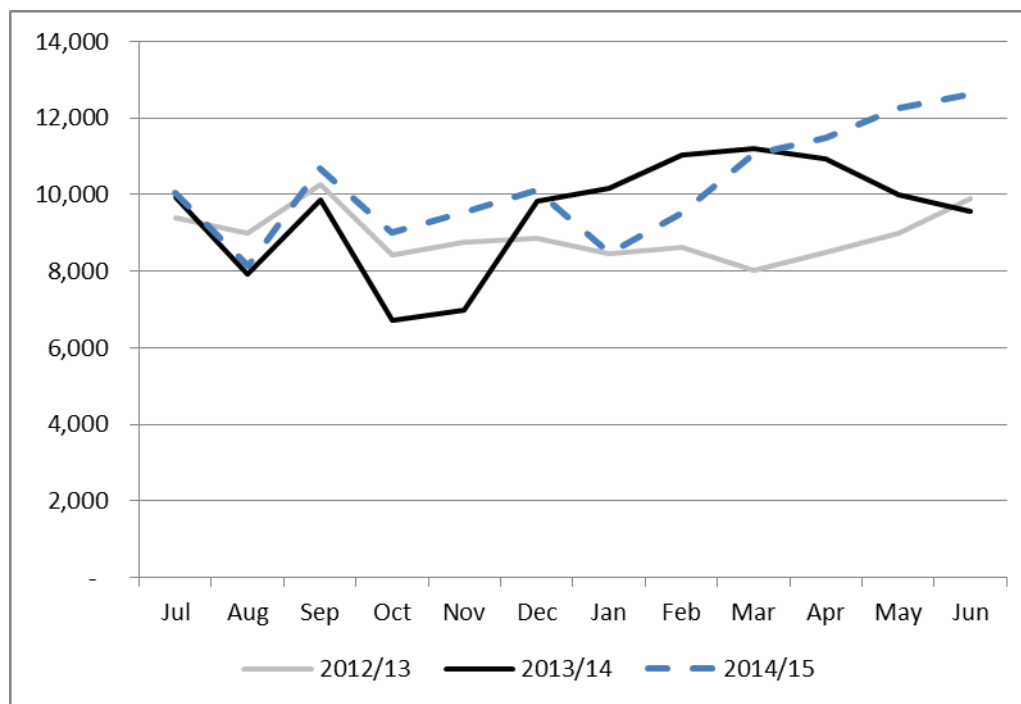


Figure 3 demonstrates the net operating expenditure trends. Expenditure trends will generally reflect major project spending especially in relation to increases towards the end of the financial year. In 2014/15 the expenditure at the end of the year also reflects the timing of Te Maeva Nui and the 50th anniversary celebrations and the production and purchase of new circulating currency.

Capital Expenditure

The 2014/15 Appropriation passed in October 2014 provided for a total of \$21.782 million in Cook Islands funded capital for the year. Subsequent changes in planning alongside work and cost considerations, coupled with the delayed passing of the budget required a revision to capital spending, the approved revised authority for expenditure as at 30 June 2015 totalled \$22.641. Final actual expenditure is estimated to have been \$17.354 million. Increases in the increased authority for capital spending in 2014/15 included:

- the carry forward of funding associated with activities that were not committed and/or finalised in 2013/14 - \$0.081 million;
- new improvements to the National Auditorium coinciding with the 50th anniversary celebration – \$0.796 million;
- increases in scope for Project City 3 for the road - \$0.750 million;
- additional expenditure incurred for project management of Project City 3 - \$0.350 million;
- increases in shipping costs of donated equipment to the Pa Enua (heavy machinery and pearl farming equipment) - \$1.300 million (noting only \$0.747 was spent in 2014/15);
- bringing forward works for widening of the Muri road (including Aroko) - \$0.100 million;
- bringing forward initial design work on the rock revetment of the Rutaki foreshore - \$0.200 million;
- increased costs for water pumps in Aitutaki - \$0.007 million;
- Orongo development master plan and centre reconstruction - \$0.050 million;
- the purchase of a new haematology instrument increase - \$0.118 million;
- overhauling of the oxygen plant at Rarotonga hospital- \$0.170 million;
- purchase of a new ultrasound machine - \$0.058 million;
- increased costs associated with the stabilisation of the Atiu airport runway – \$0.013 million;
- purchase of a new tipper truck for Atiu - \$0.098 million;
- increase in works associated with the provision of water and roads on Mangaia - \$0.014 million; and
- purchase of cars for the Constitutional celebrations which have been subsequently sold - \$0.6 million.

Decreases in the funding for the capital budget in 2014/15 included:

- deferring activities associated with bridge and drainage investments - \$1.474 million;
- slowing activities associated with the sanitation upgrade programme - \$0.765 million;
- reduced costs associated with the design, demolition and supervision of Apii Nikao - \$0.250 million;
- non purchase of a portable incinerator - \$0.085 million;
- non dredging of the Manihiki lagoon - \$0.050 million; and
- reduced costs associated with the Rakahanga generator control panels and powerhouse - \$0.095 million

Additionally there were delays in the commencement of Te Mato Vai Stage two; and the sanitation upgrade programme;

Table 13 - Capital expenditure in 2014/15

MINISTRY	Budget (000)	Actual (000)	Variance (000)	%
MINISTRY OF EDUCATION				
Fund to be Prioritised by Education	110	81	29	27
ICT upgrades (computers and laptops)	45	45	0	0
	155	126	29	19
MINISTRY OF HEALTH				
Fund to be Prioritised by Health for Technical Equipment	275	275	0	0
ICT (laptops and equipment) upgrades	150	150	0	0
Cobas e411 Immuno Assay Analyser	85	80	5	5
Laparoscope Machine	200	177	23	11
New Hospital Pharmacy Warehouse fit-out	100	100	0	0
	810	782	28	3
INFRASTRUCTURE COOK ISLANDS				
Bridges and Drainage	1,550	227	1,323	85
Road Network Maintenance	430	430	0	0
Water Network Maintenance	500	375	125	25
Manihiki Harbours	800	567	233	29
Vaimaru Water Upgrade	56	67	(11)	(20)
Rakahanga Harbour Improvement (feasibility)	60	34	26	44
Tereora/Tepuka Enviro-Flow	3	-	3	100
Pukapuka Bobcat	80	81	(1)	(1)
Mangaia Water and Roads	180	65	115	64
Mauke Manea Games	53	53	0	1
Development of Punanga Nui Coastal Area - ADB ERSP	40	15	25	63
Project City Stage 2 - ADB ERSP	100	-	100	100
Project City Stage 3 - ADB ERSP	2,342	4,271	(1,929)	(82)
Atiu Airport Runway Stabilisation	300	128	172	57
Atiu Crusher	500	237	263	53
Portable Incinerator	85	-	85	100
Sanitation Upgrade Programme	1,575	750	825	52
Mitiaro Airport Upgrade	115	118	(3)	(3)
Manihiki Lagoon Dreging	50	-	50	100
Atiu Airport Repairs/ Upgrade	-	57	(57)	(100)
Climate Adaptation of Mangaia	-	15	(15)	(100)
Manihiki Generator	-	19	(19)	(100)
	8,819	7,509	1,309	15
AITUTAKI ISLAND COUNCIL				
Fuel Storage Facility	200	180	20	10
Water Pumps (Vaipeka, Tautu, Vaipae)	33	19	14	42
Mini Transformers	13	11	2	13
	246	211	35	14
POLICE				
Te Kukupa Refit	95	84	11	12
Search and Rescue Boat	59	59	0	0
	154	143	11	7
OFFICE OF THE PRIME MINISTER				
Rakahanga generator control panels, powerhouse	95	-	95	100
Atiu Power Distribution	405	9	396	98
Renewable Management Project Management and Support	250	219	31	12

MINISTRY	Budget (000)	Actual (000)	Variance (000)	%
Nassau New Generator Set and Powerline Upgrade	32	34	(2)	(7)
Palmerston New Generator Set and Powerline Upgrade	22	34	(12)	(56)
Penrhyn New Generator Set and Powerline Upgrade	56	-	56	100
Pukapuka New Generator Set and Powerline Upgrade	46	-	46	100
Rakahanga New Generator Set and Powerline Upgrade	95	34	61	64
Manihiki and Penrhyn Electrical Distribution and Meters	222	20	202	91
Northern Group Wiring Upgrades and Certification	700	354	346	49
Tractors for Northern Group	0	200	(200)	-
Mitiaro Generator, Powerhouse Relocation	280	-	280	100
Improvements at the National Auditorium		796	(796)	
	2,203	1,701	502	23
COOK ISLANDS INVESTMENT CORPORATION				
Renovations Cook Islands High Commission (Wellington)	44	44	0	0
Pa Enea Renewable Energy Projects-Land Acquisition	900	9	891	99
Orongo Development Master Plan (Ports Authority)	250	63	187	75
Mangaia School Bus	80	70	10	12
Asset Management Information System	253	253	0	0
Apii Nikao School	1,214	759	455	38
Mitiaro Cargo Shed Improvement	-	8	(8)	(100)
	2,741	1,205	1,536	56
MINISTRY OF FINANCE AND ECONOMIC MANAGEMENT				
Government IT Network	200	137	63	31
Cook Islands Procurement Website	150	-	150	100
Rarotonga Water tank Subsidy	873	579	294	34
RMS Web Lodgement System	275	269	6	2
China Grant Heavy Machinery and Pearl Equipment				
Freight, Training and Inspections	500	1,247	(747)	(149)
Te Mato Vai - Rarotonga Water Upgrade	4,296	2,603	1,693	39
	6,294	4,835	1,459	23
MINISTRY OF INTERNAL AFFAIRS				
Vaka Maintenance Capital Projects	50	-	50	100
	50	-	50	100
AGENCY TOTAL	21,472	16,512	4,959	23
CAPITAL FUNDS ADMINISTERED BY MFEM				
Capital Distribution Fund	200	750	(550)	(275)
Outer Islands Small Capital Fund	110	92	18	16
	310	842	(532)	(172)
GRAND TOTAL	21,782	17,354	4,427	20

State Owned Entities (SOEs)

Table 13 summarises the 2014/15 year end performances of Cook Islands Investment Corporation (CIIC), Airport Authority, the Bank of the Cook Islands, Ports Authority and Te Aponga Uira. It should be noted that the budget figures below represent the respective internal budgets of the SOEs. The appropriations approved to SOEs by Parliament are the social responsibility contributions of Government.

Table 14 - SOE Quarterly Reporting – June 2015 YTD

2013/14 Actuals ('000)		Budget ('000)	Actuals ('000)	Variance ('000) %	
9,000	Personnel	9,545	8,612	933	10
22,178	Operating	24,498	24,195	303	1
6,978	Depreciation	6,719	7,652	(933)	(14)
39,681	Trading Revenue	38,318	39,168	850	2
(1,525)	Net Activity	2,444	1,291	1,153	47

Personnel

Personnel expenditure for 2014/15 was \$0.933 million lower than Budget estimates (10 per cent). This was mainly due to the delayed filling of new and vacant positions and below budget salary increments namely in Te Aponga, which resulted in savings of \$0.626 million.

Operating

Operating expenditure for 2014/15 was \$0.303 million lower than the Budget estimates (1 per cent). Three out of the five SOEs made savings totalling \$2.144 million while Ports Authority and Airport Authority had unfavourable operating expenditure movements totalling \$1.840 million relating to unfavourable movements from revaluations of ADB foreign currency loan 2473 and other operating expenses.

Depreciation

Depreciation expenditure was \$0.933 million higher than the budget (-14 per cent). This was mainly driven by Airport Authority's previously impaired assets being reinstated to its previous valuation (\$1.1 million).

Trading Revenue

Trading revenue in 2014/15 was \$0.850 million higher than the Budget estimate (2 per cent). The Ports Authority reported \$1.213 million above budget as a result of increased tariffs and commercial activity (cargo activity, rental charge and space and realised gain arising from maturity of the existing Forward Exchange Contract (FEC). The other SOEs in particular BCI (\$0.865 million) reported decreases against budget as a result of a slow down in commercial activity compared to revenue budget estimates.

Crown Borrowings

The Crown's gross borrowing at the June 2015 quarter was \$102.11 million, an increase of \$4.33 million from the March 2015 quarter. This increase was attributable to the unfavourable movement in exchange rates against the New Zealand Dollar (NZD) of \$2.05 million, and the further drawdown of the Rarotonga Water Ring Project of \$3.50 million offset by principal repayments of \$1.22 million. The exchange rates movement for this quarter are shown in Table 15.

Table 15 - Exchange Rate Variation

Currency	Budget Exchange Rate	Average June Qtr	Change
EUR	0.6330	0.6093	-3.7%
USD	0.847	0.6822	-19.5%
CNY	5.224	4.2346	-18.9%
SDR	0.5540	0.4851	-12.4%

The unrealised foreign exchange loss of \$2.05 million is largely the effect of the negative movement in the Special Drawing Rights (SDR) as about 36 per cent of the total government borrowing is denominated in SDR as illustrated in Figure 4.

Net borrowings by the General Government as at 30 June 2015 were \$59.34 million, a \$4.63 million increase from the March 2015 quarter. This increase is made up of \$2.03 million net foreign exchange adjustment, drawdown of the Rarotonga Water Ring Project of \$3.48 million and \$0.88 million in principal repayments.

Figure 4 - Composition of Crown Debt by Currency

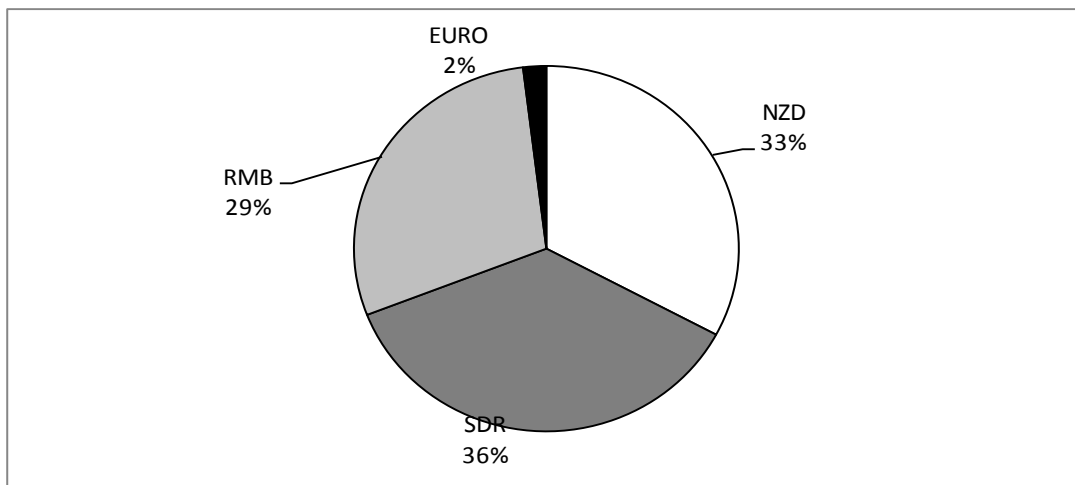


Table 16 below summarised Crown's estimated debt position at June 2015 quarter.

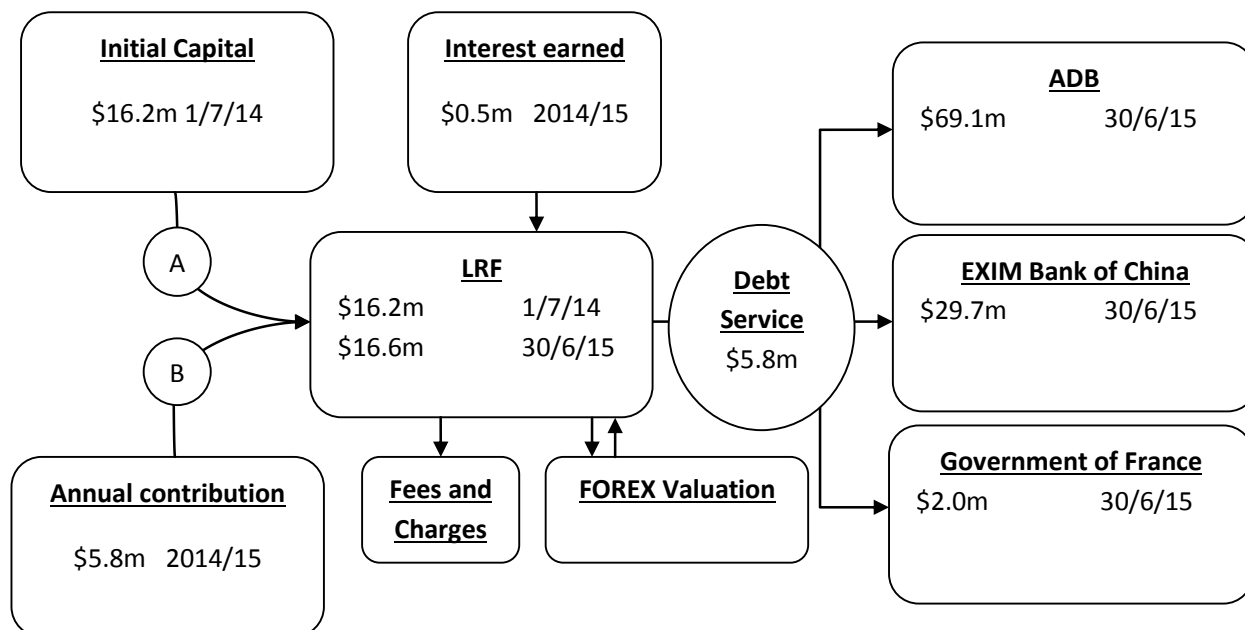
Table 16 - Crown Borrowings – 30 June 2015

Loan	Source (Currency)	Original Loan Amount in Currency ('000)	Loan Start Date	Loan Finalisation Date	Mar 15 Balance ('000)	Principal Payments ('000)	FOREX Adjustment ('000)	Revaluation/ Draw Down Adjustments	June 15 Balance ('000)	Change Mar 15 Qtr ('000)
Caisse Francais Development Loans	EURO	5,413	Jan-99	Sep-18	2,091	(231)	117	-	1,977	(114)
Import-Export Bank of China	CNY	67,260	Aug-08	Aug-28	13,069	-	764	-	13,833	764
China - Rarotonga Water Ring Project	CNY	118,000	Dec-12	Dec-13	10,865	-	1,489	3,476	15,830	4,965
ADB 461 Multi Project Loan	SDR	1,000	Nov-80	Aug-20	602	-	(5)	-	597	(5)
ADB 567 01st CIDB Loan	SDR	1,500	Jul-82	Apr-22	599	(37)	(6)	-	557	(42)
ADB 849 2nd Multi-Project Loan	SDR	2,067	Dec-87	Aug-27	2,067	-	(9)	-	2,058	(9)
ADB 1031 TCI Loan	SDR	3,541	Oct-90	Aug-30	4,896	-	(19)	-	4,877	(19)
ADB 1155 2nd CIDB Loan	SDR	939	Mar-92	Dec-31	1,306	(35)	(79)	-	1,193	(113)
ADB 1171 TCI Emergency Loan	SDR	291	Aug-92	Jun-32	449	(12)	(16)	-	422	(27)
ADB 1309 Pearl Loan	SDR	336	Dec-94	Aug-34	475	-	(2)	-	473	(2)
ADB 1317 Education Loan	SDR	1,836	Feb-95	Aug-34	2,899	-	(10)	-	2,889	(10)
ADB 1380 3rd CIDB Loan	SDR	1,538	Jan-96	Sep-35	2,448	-	(24)	-	2,424	(24)
ADB 1466 Economic Restructuring Loan	SDR	3,430	Sep-96	Sep-36	5,373	-	(18)	-	5,355	(18)
ADB 1588 Cyclone Emergency Rehab Loan	SDR	1,895	Jun-05	Jun-45	900	-	(2)	-	898	(2)
ADB 1832 Waste Management Loan	SDR	1,695	Dec-01	Jun-33	2,583	(63)	(145)	-	2,375	(208)
ADB 2174 Cyclone Emergency Assist Loan	SDR	1,895	Jun-05	Jun-45	3,659	-	(8)	-	3,651	(8)
ADB 2472 Avatiu Port Development	NZD	10,309	Sep-09	Nov-33	9,888	(92)	-	-	9,796	(92)
ADB 2473 Avatiu Port Development	SDR	4,524	Sep-09	Nov-40	9,316	(41)	20	-	9,295	(21)
ADB 2739 Amend Avatiu Port Development	NZD	5,322	Dec-11	Nov-35	5,322	-	-	-	5,322	-
ADB 2946 Economic Restructuring Loan 2	NZD	7,250	Dec-12	Dec-28	7,250	-	-	-	7,250	-
ADB 2565 Economic Restructuring Loan 1	NZD	11,053	Jan-10	Oct-24	10,048	(502)	-	-	9,546	(502)
ANZ - Airport Authority	NZD	8,100	Apr-11	Apr-16	1,678	(205)	-	22	1,495	(183)
Total Gross Borrowings					97,783	(1,218)	2,049	3,498	102,112	4,329
<i>Total Loans with ADB</i>					70,080	(782)	(322)	-	68,977	(1,103)
<i>Total Loans with Other Sources</i>					27,703	(436)	2,371	3,498	33,136	5,433
Total Gross Borrowings					97,783	(1,218)	2,049	3,498	102,112	4,329
Less Loan Reserve					16,866		-	-	16,866	-
Net Borrowing by the Crown					80,917	(1,218)	2,049	3,498	85,246	4,329
Less Avatiu Port Development					24,526	(133)	20	-	24,413	(113)
Less ANZ - Airport Authority					1,678	(205)	-	22	1,495	(183)
Net Borrowing by the General Government					54,713	(879)	2,029	3,476	59,338	4,625

The Crown Loan Reserve Fund (LRF)

In February 2014, the Parliament of the Cook Islands passed the Cook Islands Loan Repayment Fund Act 2014, formally creating an LRF. The aim of the LRF is to quarantine funds previously accumulated for loan repayments and to prevent them from being utilised for anything outside of debt servicing requirements. The LRF Act also ensures a framework for the prudential management of all public debt and the timely allocation of money from the Budget for debt servicing.

Figure 5 - Loan Reserve Fund movements 2014/15



The LRF currently has sufficient funds to fully cover all debts owed by on behalf of SOEs to lenders. These SOEs include the Bank of the Cook Islands, Te Aponga Uira, and Telecom Cook Islands Limited. The tender for the analytical services of the LRF was awarded to the New Zealand Company Bancorp, with transactional services and account management being awarded to ANZ in a competitive tender process.

Table 17 - Loan Reserve Fund Statement

	2014/15 Budget	2014/15 Actual
Opening LRF balance	16,211	16,211
Contribution to LRF	6,230	5,772
Interest earned	324	455
Total transfer into the LRF	6,554	6,227
Repayment of SOE loans		
Principal	1,200	1,161
Interest	125	176
Total repayment from LRF	1,325	1,337
Repayment of other debt		
Principal	3,092	2,136
Interest	1,912	2,324
Total repayment other debt	5,004	4,460
Other service fees	-	-
LRF stock balance	16,436	16,641

Table 17 illustrates the actual movements of funds surrounding the LRF as compared to the 2014/15 Budget.

The transfers into the LRF were \$5,772 million during 2014/15, lower than the \$6.230 million estimated at the time of the 2014/15 Budget due to favourable exchange rate movements and higher than expected interest earnings. Interest earnings were \$0.131 million higher than expected.

Favourable exchange rate movements during the middle of the financial year resulted in a \$0.544 million saving on total payments. This was predominantly due to a favourable movement in payments of principal on non-SOE borrowings.

General Government Cash Reserves

General government cash reserves at 30 June 2015 quarter were \$14.81 million, a decrease of \$4.65 million from the March 2015 quarter resulting from increased outward cash flow payments for general government expenses. Refer Crown Borrowings section for further details.

Table 18 - Cash Reserves – 30 June 2015

	Dec 14 Qtr ('000)	March 15 Qtr ('000)	June 15 Qtr ('000)	Change March 15 Qtr ('000)
Total Term Deposit at the Bank				
Westpac	3,236	3,236	3,293	57
ANZ	28,841	32,024	28,010	(4,014)
ANZ - ADB USD 10 million	3,945	3,959	2,686	(1,273)
BCI	16,357	15,499	15,562	63
Total Term Deposit at the Bank *	52,379	54,718	49,551	(5,167)
Committed:				
Trust Fund General Reserve	2,911	2,911	2,911	-
Disaster Response Trust ¹	536	536	879	343
Loan Reserve Fund ²	16,866	16,866	16,866	-
ADB USD 10 million loan - Project pending ³	9,476	8,564	7,616	(948)
Trust Account Deposit ⁴	2,872	2,886	2,969	83
Carry Forward Contingency – OPEX ⁵	500	500	500	-
Working Capital ⁶	3,000	3,000	3,000	-
Total Commitment for this year	36,161	35,263	34,741	(522)
Estimated General Cash Reserve	16,218	19,455	14,810	(4,645)

* - This excludes cash balances on the Ministry Operating Bank Accounts or Crown cash operating accounts of \$6.929 million, the total cash with the Crown of \$21.109 million.

¹ Disaster Response Trust – funds set aside for emergency response in the event of disasters

² Loan Reserve Fund – established in 2001 to hold SOE loan repayments to the Crown

³ ADB USD 10 million loan – ADB Economic Recovery Support Program loan funds used to fund Project City

⁴ Trust Account Deposit – funds held on behalf of Land Trust and Workers Compensation Trust

⁵ Carry Forward Contingency – funds tagged for any carry forwards of operating expenditure

⁶ Working Capital – funds tagged to cover overall Government cash flow requirements

Official Development Assistance

The Development Coordination Division (DCD) of MFEM administers all international development assistance. It is estimated that ODA accounted for 17 per cent of the national economy and 28 per cent of the national budget in 2014/15.

New Zealand

New Zealand funded activities in the education, health, and the social areas were executed well and achieved full spend against budget. The renewable energy program recorded 70 per cent spend with New Zealand third party reporting yet to be received.

Sanitation upgrade and gender programme delivery was slow. The Ministry of Internal Affairs and the WATSAN Division of ICI are required to submit work plans to release funds. The INTAFF disability programme was delayed, e.g. visits to Pa Enua were delayed due to competing priorities by Disability Division staff.

Spending on Te Mato Vai (TMV) relates to funding from the Cook Islands Government appropriation as the New Zealand contribution was not received until the grant funding contract variation was complete. NZ funding for TMV worth \$3m was received in June 2015. From now, all TMV expenses will be paid out of the New Zealand disbursement until equalised with TMV Capex spending.

Aid effectiveness was increased by \$0.050 million to \$0.200 million in 2014/15 to accommodate for additional approved costs associated with the development partners meeting (\$0.055 million), support to MFEM for catching up on the Crown Accounts (\$0.078 million), DCD accounting software and project data upgrades, training (\$0.030 million) plus usual activities supporting development programmes. An overspend of \$0.015 million was recorded due to an additional reimbursement to MFEM for accounting catch up.

Australia

Defence spending under Australia relates to the Te Kukupa refit. The refit is complete and over budget, totalling \$8.107 million against \$ 6.760 million budget, but final financial reporting has not been provided by Australia.

UN Agencies

UNDP TRAC funds were not received this year and there has been little indication from UNDP about spending on behalf of Cook Islands. It is most likely that these funds will now be carried over to next year.

Underspend in the environment area (GEF) is due to no spending on UNOPS/Red Cross GEF small grants as the coordination remains behind schedule.

FAO support for the agriculture sector strategy is in progress. Following the UN programmes review after the development partners meeting, a UN reporting system is being established with UNDP "delivery as one" as of the mechanisms.

UNEP provided funding (USD 0.028 million) has been fully disbursed to assist with progressing the NIE application.

The majority of UNFPA local activities related to the family health and safety study are complete. UNFPA is yet to submit information on spend on behalf (which is 80 per cent of the grant). WHO have not yet received spending reports from the Cook Islands Ministry of Health.

FAO has not provided reports; however, progress has been made with FAO on a new agriculture policy and strategy. The draft vision was launched at the Development Partners Meeting in February 2015. The Chamber of Commerce agribusiness grant fund is now operational.

China

Ropes and floats for the pearls programme arrived in December 2014 and heavy machinery in January 2015. Spending of \$9 million for these grants remains on track, as implementation of the following projects was pushed back to 2015/16. Agriculture equipment is expected to arrive during October 2016; Chinese building repairs were not approved for 2014/15; and negotiations are underway to sign letters of exchange for the Apii Nikao school project to commence in early 2016.

India

India projects are behind schedule due to delays in receiving funding. Funds for the 2013/14 were received in early February 2015. MFEM is likely to run combined two year round now when 2014/15 funds are received.

EU

The EDF10 TCF is now closed. All EU support is direct to the Budget through a sector reform contract. The EU has reported on other support through regional programs, not originally in the EU portfolio. Underspend is due to the European Investment Bank Pacific Air Safety technical assistance funding expenditure shifted to the second half of 2015, and the fisheries policy support programme with the Ministry of Marine Resources was not finalised.

ADB

ADB spending has progressed to expectation. The loan for renewable energy activities in the Southern Group (which leverages off EU, PEC and GEF6 grants) is progressing to plan. The funding via JFPR to the Ministry of Internal Affairs has now closed and post completion reporting is being finalised. A private sector assessment has been completed and will be available for publication in late 2015. The Asset Management activity was finalised and handed over to CIIC alongside the completion of the National Investment Implementation Plan (NIIP) which is available online and in printed copy.

Japan

PEC funds were programmed for the southern group renewable energy programme with spend shifted from the 2014/15 into 2015/16.

SIDS, SOPAC, SPC, FFA, Commonwealth Secretariat- No Partner reporting

Other

The provision of computers funded by Turkey was expected by 30 June 2015, but the Cook Islands proposal submitted is still being processed. Audio Visual equipment funded by South Korea was received in June 2015, with full spend to be posted once all the equipment is received.

The ODA conversion ratio is currently at 50 per cent compared with 54 per cent for 2013/14. The annual rate is expected to be higher, around 75 per cent, once partner reporting is complete.

Table 19 – Classification by Function of Government

Function of Government	Includes
General public services	Executive and legislative organs, financial and fiscal affairs, external affairs Foreign economic aid General services Basic research Research and Development general public services Public debt transactions Transfers of a general character between different levels of government
Defence	Military defence Civil defence Foreign military aid Research and Development defence
Public order and safety	Police services Fire-protection services Law courts Prisons

Function of Government	Includes
	Research and Development public order and safety
Economic affairs	General economic, commercial and labour affairs Agriculture, forestry, fishing and hunting Fuel and energy Mining, manufacturing and construction Transport Communication Other industries Research and Development economic affairs
Environmental protection	Waste management Waste water management Pollution abatement Protection of biodiversity and landscape Research and Development environmental protection.
Housing and community amenities	Housing development Community development Water supply Street lighting Research and Development housing and community amenities
Health	Medical products, appliances and equipment Outpatient services Hospital services Public health services Research and Development health
Recreation, culture and religion	Recreational and sporting services Cultural services Broadcasting and publishing services Religious and other community services Research and Development recreation, culture and religion
Education	Pre-primary and primary education Secondary education Post-secondary non-tertiary education Tertiary education Education not definable by level Subsidiary services to education Research and Development education
Social protection	Sickness and disability Old age Survivors Family and children Unemployment Housing

Function of
Government

Includes

Research and Development social protection

Table 20 - Reported ODA Expenditure – 2014/15 (\$000)

	Total Donor	General Public Service	Defence	Public Order and Safety	Economic Affairs	Environment Protection	Housing and Community Amenities	Health	Recreation, Culture and Religion	Education	Social Protection
<u>Asian Development Bank</u>											
Budget	1,361,000	750,000			511,000						100,000
Actual	1,210,934	603,376			429,628						177,930
<u>Australia</u>											
Budget	6,909,150		6,760,000								149,150
Actual	6,838,047		6,760,000								78,047
<u>Australia Adaptation</u>											
Budget											
Actual	210,204					210,204					
<u>China</u>											
Budget	17,952,000				17,952,000						
Actual	8,972,102				8,972,102						
<u>Commonwealth Secretariat</u>											
Budget	83,000				83,000						
Actual											
<u>EU/German Development Cooperation</u>											
Budget	210,000						210,000				
Actual											
<u>European Union</u>											
Budget	1,645,000				1,240,000		405,000				
Actual	946,606	191,710			344,330		410,566				
<u>Food and Agriculture Organisation (UN)</u>											
Budget	129,500				115,000		14,500				
Actual											
<u>Forum Fisheries Agency</u>											
Budget	180,000				180,000						
Actual											
<u>Global Environment Fund (GEF)</u>											
Budget	1,039,700						1,039,700				
Actual	323,303						323,303				
<u>Global Fund</u>											
Budget	93,000							93,000			
Actual											
<u>India</u>											

	Total Donor	General Public Service	Defence	Public Order and Safety	Economic Affairs	Environment Protection	Housing and Community Amenities	Health	Recreation, Culture and Religion	Education	Social Protection
Budget	150,000						150,000				
Actual	136,860						136,860				
<u>Japan</u>											
Budget	1,045,000				1,045,000						
Actual											
<u>Marama Global</u>											
Budget	30,000							30,000			
Actual											
<u>New Zealand Aid Programme</u>											
Budget	27,587,500	1,411,000		530,000	14,104,000	25,000	6,408,000	562,000		3,387,500	1,160,000
Actual	18,483,353	1,195,135		3,450	10,379,389		1,447,360	558,867		3,710,391	1,188,762
<u>Secretariat of the Pacific Community</u>											
Budget	115,800				77,300	38,500					
Actual											
<u>Secretariat of the Pacific Regional Environment Programme</u>											
Budget	127,000				127,000						
Actual											
<u>SIDS-DOCK</u>											
Budget	708,000				708,000						
Actual	486,375				486,375						
<u>South Korea</u>											
Budget	236,000								236,000		
Actual	105,598								105,598		
<u>Sterling Foundation</u>											
Budget											
Actual	13,033									13,033	
<u>Turkey</u>											
Budget	60,000									60,000	
Actual											
<u>United Nations Adaptation Fund</u>											
Budget	3,013,000					3,013,000					
Actual	1,121,660					1,121,660					
<u>United Nations Development Programme</u>											
Budget	242,000	242,000									
Actual											
<u>United Nations Educational, Scientific and Cultural Organisation</u>											

	Total Donor	General Public Service	Defence	Public Order and Safety	Economic Affairs	Environment Protection	Housing and Community Amenities	Health	Recreation, Culture and Religion	Education	Social Protection
Budget	85,000									85,000	
Actual	85,504									85,504	
United Nations Environment Programme											
Budget	33,000					33,000					
Actual	17,306					17,306					
United Nations Population Fund											
Budget	194,000							194,000			
Actual	50,857							50,857			
United States											
Budget	70,000				70,000						
Actual											
World Health Organisation											
Budget	311,000							311,000			
Actual											
Totals for Report											
Budget	63,609,650	2,403,000	6,760,000	530,000	36,212,300	4,568,700	6,768,000	1,190,000	236,000	3,532,500	1,409,150
Actual	39,001,742	1,990,220	6,760,000	3,450	20,611,824	2,083,039	1,584,220	609,724	105,598	3,808,927	1,444,738
Variance (\$)	24,607,908	412,780	0	526,550	15,600,476	2,485,661	5,183,780	580,276	130,402	-276,427	-35,588
Execution Rate	61%	83%	100%	1%	57%	46%	23%	51%	45%	108%	103%

Agency Expenditure

Table 21 - Agency Expenditure – 2014/15

		Personnel	Operating	Depreciation	Gross Appro	Trading Revenue	Net Appro
Ministry of Agriculture	Budget (\$)	810	88	5	902	91	812
	Actual (\$)	802	81	5	888	85	803
	Budget Variance (\$)	7	7	(0)	14	6	9
	Budget Variance (%)	1	8	(1)	2	6	1
Cook Islands Audit Office	Budget (\$)	808	174	27	1,008	179	830
	Actual (\$)	808	186	27	1,021	169	852
	Variance (\$)	0	(12)	(1)	(13)	10	(23)
	Variance (%)	0	(7)	(2)	(1)	6	(3)
Business Trade and Investment Board	Budget (\$)	410	237	9	656	23	632
	Actual (\$)	410	217	9	637	13	624
	Variance (\$)	(0)	19	0	19	11	9
	Variance (%)	(0)	8	1	3	45	1
Crown Law	Budget (\$)	493	146	6	645	-	645
	Actual (\$)	504	141	6	651	-	651
	Variance (\$)	(10)	5	(0)	(6)	-	(6)
	Variance (%)	(2)	3	(8)	(1)	-	(1)
Ministry of Culture	Budget (\$)	452	290	97	838	175	663
	Executive Order (\$)	452	315	97	863	175	688
	Actual (\$)	450	328	37	815	157	657
	Variance (\$)	1	(38)	60	23	18	6
	Variance (%)	0	(13)	62	3	10	1
	Exec Ord Variance (\$)	0	(13)	60	47	18	29
Exce Ord Variance (%)	0	(4)	62	5	10	4	
Ministry of Education	Budget (\$)	9,618	1,115	341	11,073	-	11,073
	Actual (\$)	9,618	1,101	411	11,130	35	11,094
	Variance (\$)	0	14	(70)	(56)	35	(21)
	Variance (%)	0	1	(21)	(1)	-	(0)
National Environment Service	Budget (\$)	790	163	30	983	35	948
	Actual (\$)	819	174	10	1,002	23	979
	Variance (\$)	(29)	(11)	21	(19)	12	(31)
	Variance (%)	(4)	(7)	69	(2)	34	(3)
Ministry of Finance and Economic Management	Budget (\$)	2,615	582	129	3,326	504	2,822
	Executive Order (\$)	2,615	632	129	3,376	504	2,872
	Actual (\$)	2,862	542	129	3,532	750	2,781
	Variance (\$)	(246)	40	0	(206)	(247)	41
	Variance (%)	(9)	7	0	(6)	(49)	1
	Exec Ord Variance (\$)	(246)	90	0	(156)	(247)	91
Exce Ord Variance (%)	(9)	14	0	(5)	(49)	3	
Financial Services Development Authority	Budget (\$)	231	179	10	420	-	420
	Actual (\$)	231	162	10	403	-	403
	Variance (\$)	(0)	17	(0)	17	-	17
	Variance (%)	(0)	10	(3)	4	-	4
Ministry of Foreign Affairs and Immigration	Budget (\$)	1,089	634	78	1,800	20	1,780
	Actual (\$)	1,093	570	76	1,739	12	1,726
	Variance (\$)	(4)	64	2	62	8	54
	Variance (%)	(0)	10	2	3	38	3
Head of State	Budget (\$)	183	34	15	232	-	232
	Actual (\$)	183	41	11	236	0	236
	Variance (\$)	(0)	(7)	4	(3)	0	(3)
	Variance (%)	(0)	(21)	25	(1)	-	(1)
Ministry of Health	Budget (\$)	8,149	1,815	655	10,618	400	10,218
	Actual (\$)	8,150	1,923	523	10,596	373	10,222
	Variance (\$)	(1)	(108)	132	23	27	(4)
	Variance (%)	(0)	(6)	20	0	7	(0)

		Personnel	Operating	Depreciation	Gross Appro	Trading Revenue	Net Appro
Ministry of Infrastructure and Planning	Budget (\$)	1,505	264	233	2,002	246	1,756
	Actual (\$)	1,576	469	214	2,258	521	1,737
	Variance (\$)	(71)	(204)	19	(256)	(275)	19
	Variance (%)	(5)	(77)	8	(13)	(112)	1
Ministry of Internal Affairs	Budget (\$)	942	118	17	1,077	6	1,071
	Actual (\$)	921	186	7	1,115	10	1,105
	Variance (\$)	21	(69)	10	(38)	(4)	(34)
	Variance (%)	2	(58)	58	(4)	(70)	(3)
Ministry of Justice	Budget (\$)	1,374	419	121	1,914	500	1,414
	Actual (\$)	1,537	484	108	2,129	540	1,589
	Variance (\$)	(163)	(64)	12	(215)	(40)	(175)
	Variance (%)	(12)	(15)	10	(11)	(8)	(12)
Ministry of Marine Resources	Budget (\$)	1,096	303	57	1,456	15	1,441
	Actual (\$)	1,104	274	175	1,552	11	1,541
	Variance (\$)	(8)	29	(117)	(96)	4	(100)
	Variance (%)	(1)	10	(205)	(7)	24	(7)
Office of the Ombudsman	Budget (\$)	210	54	6	270	-	270
	Actual (\$)	210	49	6	265	-	265
	Variance (\$)	0	5	-	5	-	5
	Variance (%)	0	8	-	2	-	2
Parliament	Budget (\$)	409	138	25	572	8	563
	Actual (\$)	408	134	25	567	8	559
	Variance (\$)	1	4	(0)	5	0	5
	Variance (%)	0	3	(0)	1	6	1
Cook Islands Pearl Authority	Budget (\$)	205	237	22	464	-	464
	Actual (\$)	196	203	23	422	-	422
	Variance (\$)	9	34	(1)	42	-	42
	Variance (%)	5	14	(5)	9	-	9
Police	Budget (\$)	2,877	459	219	3,554	69	3,485
	Actual (\$)	2,866	426	113	3,404	46	3,358
	Variance (\$)	11	33	106	150	24	126
	Variance (%)	0	7	48	4	34	4
Office of the Prime Minister	Budget (\$)	931	183	36	1,150	-	1,150
	Executive Order (\$)	0	30	0	30	-	30
	Actual (\$)	155	901	19	1,076	2	1,074
	Variance (\$)	775	(718)	17	74	(2)	76
	Variance (%)	83	(393)	47	6	-	7
Seabed Authority	Budget (\$)	212	123	5	340	-	340
	Executive Order (\$)	212	148	5	365	-	365
	Actual (\$)	168	183	5	355	-	355
	Variance (\$)	44	(59)	0	(15)	-	(15)
	Variance (%)	21	(48)	0	(4)	-	(4)
	Exec Ord Variance (\$)	44	(34)	0	10	-	10
	Exce Ord Variance (%)	21	(23)	0	3	-	3
Public Service Commission	Budget (\$)	1,534	55	65	1,654	-	1,654
	Executive Order (\$)	1,604	55	65	1,724	-	1,724
	Actual (\$)	1,420	93	63	1,576	-	1,576
	Variance (\$)	114	(38)	2	78	-	78
	Variance (%)	7	(68)	3	5	-	5
	Exec Ord Variance (\$)	184	(38)	2	148	-	148
	Exce Ord Variance (%)	11	(68)	3	9	-	9
Cook Islands Tourism	Budget (\$)	1,423	2,909	16	4,347	200	4,147
	Executive Order (\$)	1,423	3,061	16	4,499	352	4,147
	Actual (\$)	1,516	2,900	19	4,434	352	4,082
	Variance (\$)	(93)	9	(3)	(87)	(152)	65
	Variance (%)	(7)	0	(18)	(2)	(100)	2
	Exec Ord Variance (\$)	(93)	161	(3)	65	-	65
	Exce Ord Variance (%)	(7)	5	(18)	1	-	2
Ministry of Transport	Budget (\$)	385	234	39	658	36	622
	Actual (\$)	348	205	27	581	31	549

		Personnel	Operating	Depreciation	Gross Appro	Trading Revenue	Net Appro
	Variance (\$)	37	29	12	78	5	73
	Variance (%)	10	12	30	12	13	12
Aitutaki	Budget (\$)	1,022	389	144	1,555	48	1,507
	Actual (\$)	953	422	134	1,509	76	1,433
	Variance (\$)	69	(32)	10	46	(28)	75
	Variance (%)	7	(8)	7	3	(58)	5
Atiu	Budget (\$)	668	403	139	1,209	224	985
	Actual (\$)	669	340	103	1,112	206	907
	Variance (\$)	(1)	63	36	97	18	78
	Variance (%)	(0)	16	26	8	8	8
Mangaia	Budget (\$)	790	544	205	1,539	301	1,238
	Actual (\$)	792	571	200	1,563	318	1,246
	Variance (\$)	(2)	(27)	5	(25)	(17)	(8)
	Variance (%)	(0)	(5)	2	(2)	(6)	(1)
Manihiki	Budget (\$)	530	259	92	881	136	745
	Actual (\$)	529	168	113	810	121	689
	Variance (\$)	1	91	(20)	71	15	56
	Variance (%)	0	35	(22)	8	11	7
Mauke	Budget (\$)	629	208	81	918	114	804
	Actual (\$)	612	313	79	1,004	173	831
	Variance (\$)	17	(105)	1	(86)	(59)	(27)
	Variance (%)	3	(50)	2	(9)	(52)	(3)
Mitiaro	Budget (\$)	472	66	55	594	59	535
	Actual (\$)	436	68	36	540	59	481
	Variance (\$)	36	(1)	19	54	(0)	54
	Variance (%)	8	(2)	35	9	(0)	10
Pukapuka	Budget (\$)	698	146	141	984	74	910
	Actual (\$)	717	116	106	939	68	871
	Variance (\$)	(19)	30	34	45	5	39
	Variance (%)	(3)	20	24	5	7	4
Penhryn	Budget (\$)	350	204	52	606	84	522
	Actual (\$)	355	103	14	472	90	382
	Variance (\$)	(6)	101	38	134	(6)	140
	Variance (%)	(2)	50	73	22	(8)	27
Palmerston	Budget (\$)	249	65	45	359	21	338
	Actual (\$)	214	71	61	345	47	298
	Variance (\$)	34	(5.30)	(16)	13	(26)	40
	Variance (%)	14	(8)	(35)	4	(128)	12
Rakahanga	Budget (\$)	388	25	38	451	49	401
	Actual (\$)	389	71	38	498	53	445
	Variance (\$)	(1)	(46)	0	(47)	(3)	(44)
	Variance (%)	(0)	(187)	0	(11)	(7)	(11)
Aitutaki Power Supply	Budget (\$)	254	1,608	349	2,211	1,901	310
	Actual (\$)	260	1,486	223	1,969	1,946	23
	Variance (\$)	(6)	122	126	242	(45)	287
	Variance (%)	(2)	8	36	11	(2)	92
Prime Minister Support Office	Budget (\$)	306	105	11	422	-	422
	Actual (\$)	306	102	7	416	-	416
	Variance (\$)	0	3	4	6	-	6
	Variance (%)	0	2	33	2	-	2
DPM Heather	Budget (\$)	123	87	11	221	-	221
	Actual (\$)	122	78	11	212	-	212
	Variance (\$)	1	9	0	9	-	9
	Variance (%)	1	10	0	4	-	4
Minister Brown Support Office	Budget (\$)	186	82	7	275	-	275
	Actual (\$)	184	80	7	271	-	271
	Variance (\$)	3	1	-	4	-	4
	Variance (%)	1	2	-	1	-	1
Minister Glassie	Budget (\$)	88	92	12	192	-	192

		Personnel	Operating	Depreciation	Gross Appro	Trading Revenue	Net Appro
Support Office	Actual (\$)	105	69	12	186	-	186
	Variance (\$)	(17)	22	0	6	-	6
	Variance (%)	(19)	25	1	3	-	3
Minister Nicholas Support Office	Budget (\$)	28	42	1	71	-	71
	Actual (\$)	28	43	1	72	-	72
	Variance (\$)	0	(1)	0	(1)	-	(1)
	Variance (%)	0	(3)	2	(2)	-	(2)
Minister Turepu Support Office	Budget (\$)	123	57	11	191	-	191
	Actual (\$)	109	49	11	169	-	169
	Variance (\$)	14	8	0	22	-	22
	Variance (%)	0	14	0	11	-	11
Leader of the Opposition Support Office	Budget (\$)	150	45	7	202	-	202
	Actual (\$)	146	38	0.91	185	-	185
	Variance (\$)	4	7	6	17	-	17
	Variance (%)	3	16	87	8	-	8
Minister Ioane Support Office	Budget (\$)	40	76	4	121	-	121
	Actual (\$)	46	65	2	113	-	113
	Variance (\$)	(6)	12	2	8	-	8
	Variance (%)	(15)	15	51	7	-	7

Glossary

Below are the meaning of certain terms which are mentioned at various points in this report:

Development Partner Expenses

Expenses are recognised when incurred on approved projects and are reported in the financial period to which they relate. They have been further broken down into the Functions of Government classification, which is the system used for the statistical compilation of the National Accounts which attempts to outline for what purpose for the funds have been used.

Appropriation

Appropriations are the funding-source provided by the Crown (as a Central Government entity) to allow the recipients (Crown-funded Agencies – see term below) to carry out their purposed operations.

Crown-funded Agencies/Agencies

These are recipients of funding via an appropriation. Crown-funded Agencies refer to ministries/departments, island administrations, and ministerial support offices.

Expenses

Expenses are recognised when incurred and are reported in the financial period to which they relate.

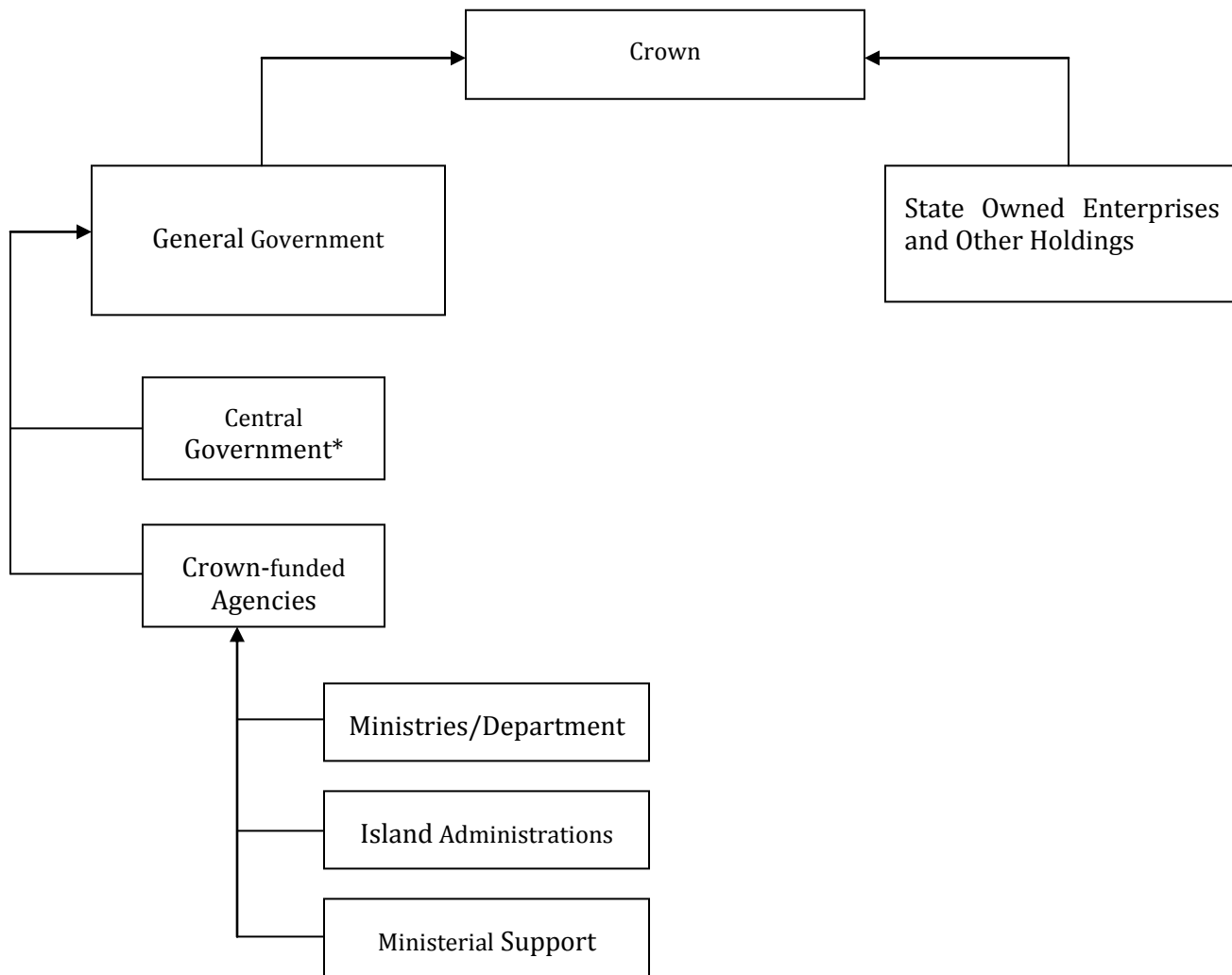
Foreign Currencies

Transactions in foreign currencies are translated into New Zealand dollar using the exchange rate on the date of the transaction. Foreign exchange gain and losses arising from these transactions are included in the Statement of Financial Performance.

Any monetary assets and monetary liabilities held at year end are translated at the exchange rate at the balance sheet date.

General Government

General Government consists of Central Government and Crown-funded Agencies. It does not include State-Owned Enterprises or holdings in other entities (eg. Telecom). The diagram below shows how all relate.



* Parliament and the Head of State are included in the Central Government section

Revenue

Revenue is measured at fair value of the consideration received or receivable.

Revenue Levied Through the Crown’s Sovereign Power

Payment of tax does not of itself entitle a taxpayer to an equivalent value of services or benefits; such revenue is received through the exercise of the Crown’s sovereign power. Revenue arising through taxes is recognised when the taxable event occurs and when the criteria for recognition of an asset are met.

<i>Revenue Type</i>	<i>Revenue Recognition Point</i>
Individual Income Tax	When an individual earns income that is subject to PAYE or provisional tax. This also includes withholding taxes.

Company Income Tax	When the corporate community earns taxable income.
Value Added Tax	When the liability to the Crown is incurred. For example, the liability arising from sales in June being paid in July however recognised as revenue in June.
Customs levies	When goods liable to duty are assessed, except for Oil Companies which are accounted for when the liability to the Crown is incurred.
Departure Tax	When airlines remit the departure tax component of tickets sold.
Other Revenue	When the debt to the Crown arises.

Variance

Variance refers to the difference between budget and actual columns. A figure in this column surrounded by a bracket represents a negative number which suggests an unfavourable variance. Eg. Taxation Revenue is lower than budget and this has an unfavourable impact on the Government Fiscal Position. Likewise Debt Service Interest Expenditure is greater than budget and this has an unfavourable impact on the Government Fiscal Position.

General Disclaimer

1. Tables in this report may be subject to minor adding differences related to rounding of numbers up to the nearest 1,000.
 2. This report is developed based on unaudited financial statements from the Agencies of the Cook Islands Government. These statements are unaudited at the time of writing this report. Our best endeavours have been made to ensure the information is accurate.
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ⁱ Note 1: Budget estimates are adjusted for revenue and expenditure related to trading revenue reimbursements e.g.. recovery of overtime wages from airlines for customs and immigration duties.

Note 2: Variance refers to the difference between budget and actual. A figure in this column surrounded by a bracket represents a negative number which suggests an unfavourable variance. e.g. Taxation Revenue is lower than budget and this has an unfavourable impact on the Crown's fiscal position. Likewise debt service interest expenditure is greater than budget and this has an unfavourable impact on the Crown's fiscal position.

ⁱⁱ The definition of paid – means expenditure which has been committed and/or incurred and also amounts which have been carried forward into 2015/16

ⁱⁱⁱ Note: This table does not represent actual spending at end of year or actual trading revenue which is included in General Government Revenue Analysis and expenditure analysis.